

shall thereafter have no obligations to Hormel Foods with regard to any Negative Cash Balance.

(e) If (1) a Previous Agreement existed when the parties executed this Agreement and Producer delivered a signed original of this Agreement to Hormel Foods after October 31, 1999, and Producer shall have fully performed under this Agreement through the entire term stated in paragraph 1.(a), or (2) an Extended Agreement exists and Producer shall have fully performed through the entire extended term of such Extended Agreement, then any Negative Cash Balance shall be deemed eliminated at the end of such stated or extended term, as the case may be, and Producer shall thereafter have no obligations to Hormel Foods with regard to any Negative Cash Balance.

(f) If Producer and Hormel Foods executed this Agreement when no Previous Agreement existed, then all of the provisions of this Agreement relating to any Negative Cash Balance shall not apply to such Producer and such Producer shall have no obligations to Hormel Foods with regard to any Negative Cash Balance.

4. HORMEL FOODS' OBLIGATIONS.

(a) Hormel Foods agrees to pay Producer for contracted hogs as set forth in paragraph 2. for the entire term of this Agreement.

(b) Inspection, sorting and weighing of hogs shall be performed by Hormel Foods at the delivery location or the plant.

(c) Hormel Foods shall keep all necessary records with respect to the receipt, weighing and payment of all hogs in accordance with its regular record retention and destruction schedule. At the present time, all scale tickets, P&L's and checks are retained for two (2) years. Producer may inspect such records during normal business hours at locations designated by Hormel Foods upon reasonable notice by Producer to Hormel Foods. Hormel Foods shall supply copies of such records as Producer may reasonably request at Producer's expense.

5. PRODUCER'S OBLIGATIONS.

(a) All hogs delivered under this Agreement shall be top quality, healthy and wholesome, free of foreign objects (e.g., needles) and must weigh at least two hundred twenty-five (225) pounds. No hogs shall be crippled, lame, sick, overfilled or otherwise unmerchantable at time of delivery. Producer is responsible for the handling of hogs, including without limitation the handling of hogs by transporters, in such a manner so as to optimize meat quality. Producer must have in place a genetic program capable of producing lean, uniform sorted hogs that consistently meet Hormel Foods' requirements.

(b) Producer must have Hormel Foods approved facilities to farrow and finish hogs year round and/or Hormel Foods approved sources of weanling and feeder pigs. All hogs delivered hereunder from time to time must be uniform in size and numbers, and must be derived from such approved facilities and sources. Producer shall be responsible for arranging transportation and incurring freight costs to deliver the hogs to the nearest Hormel Foods slaughter plant. Producer agrees to deliver the hogs to any other slaughter plant designated by Hormel Foods; provided that Hormel Foods shall pay Producer the additional freight costs incurred by such delivery as determined by Hormel Foods pursuant to its then current standard livestock freight schedule. Producer agrees to arrange delivery with Hormel Foods Hog Procurement personnel by Thursday of the week prior to delivery. Specific delivery days and times shall be determined by Hormel Foods (early, late, Sunday and holiday deliveries may be required). Time is of the essence in the delivery of hogs under this Agreement.